According to the usual procedure of appropriating the revenue of the Cauvery Power Scheme for redemption of loan and replenishment of the cash balance, the above difference should appear in the accounts thus:—

	Rs.
Set aside from Cauvery Power Scheme revenue for redemption of the 4 per cent loan of 20 lakhs	1,33,000
Net income from the Cauvery Power Scheme appropriated for replenishment of cash balance	11,12,000
Famine Insurance Reserve	70,000
Budget Deficit	3,63,000
	9,52,000

Out of Rs. 2,00,000 proposed to be set apart for the Famine Insurance Reserve in the budget estimate, Rs. 1,30,000 had to be spent as direct expenditure in connection with the scarcity and the balance of Rs. 70,000 would therefore be available under ordinary circumstances for being carried to the head Famine Insurance Reserve.

10. The revised is therefore 4,74,000 worse than the budget as far as the difference between receipt and expenditure is concerned and this, in spite of the revenue from the Cauvery Power Scheme being Rs. 35,000 in excess of the budget. The result under the other heads excluding the Cauvery Power Scheme is thus Rs. 5,09,000 worse in the revised. Of this sum 1,30,000 represents expenditure recorded under the head "Famine Relief"; and the balance 3,79,000 is the net difference on other heads of revenue and expenditure which has converted the surplus of Rs. 16,000 in the budget to a deficit of Rs. 3,63,000 in the revised estimate as above worked out.

Remissions, Suspensions and Advances.

11. The main reason for the unsatisfactory state of affairs referred to in preceding paragraph is, of course, the scarcity which prevailed during the year 1908-09 in parts of all the districts of the State but specially in Kolar and Tumkur. The two chief instruments which were employed by Government in combating the situation were adequate remissions and suspensions of land revenue and a liberal system of granting *takavi* and other advances to the raiyats wherever such help was considered necessary. The advance transactions do not affect the budget immediately though they have a very important bearing on the question of ways and means. But the effects of the remission and suspension measures of Government appear in the revised estimates of 1908-09 now presented in a very striking way. Thus under land revenue, against the budget estimate of 100 lakhs, the actual collections amount to only 89 lakhs; and under assessed taxes, *i.e.*, mohatarfa and assessment on vacant building sites, the percentage of falling off is much larger, the collections being only 2 lakhs against the estimate of 3·18 lakhs. When it is considered that the high prices brought about chiefly by the unfavourable seasonal conditions of successive years press more severely on the non-agricultural population who pay the bulk of the assessed taxes than on the agricultural population, the necessity of liberal remission of mohatarfa for mitigating the acuteness of distress will be evident.

12. The relief which had to be given to the agricultural and non-agricultural classes in the way of remissions and suspensions has, therefore, reduced our revenue for 1908-09 by 12·18 lakhs, *viz.*, 11 lakhs under Land Revenue and 1·18 lakhs under Assessed Taxes. The Forest revenue fell considerably below the budget estimate, the realizations according to the revised estimates being only 19·11 lakhs against the budget figure of 20·15 lakhs. The reason for the falling off was less demand for sandalwood which told both on the number of tons sold and the rate per ton realized. Considering, therefore, the three heads, Land Revenue, Assessed Taxes and Forests, the decrease in the revised estimates of 1908-09 was 13·22 lakhs when compared with the budget estimates.

Increase of Revenue under certain heads.

13. It is, therefore, quite clear that, had it not been for accidental and unexpected increase of revenue under certain heads, even the whole of the net revenue

of the Cauvery Power Scheme (Rs. 11,12,000) would not have been sufficient to cover the decrease referred to in the foregoing paragraph. In that case, taking all sources of revenue into consideration, the year would have been one of a real and substantial deficit. As it is, however, we are exceptionally fortunate in some directions and the falling off of Rs. 13·22 lakhs in the revised as compared with the budget under Land Revenue, Assessed Taxes and Forests, is reduced to a large extent by increase under other heads. Thus Excise brings according to the revised estimates, Rs. 43·62 lakhs against the budget provision of 40·86 lakhs or 2·76 lakhs more; Stamps and Registration, 78 thousand more; Mining Royalty, 70 thousand more; Interest, 30 thousand more; and the Railway revenue account, 2·61 lakhs more. The increase under the head "Railway" is due chiefly to the operation of the revised agreement with the Southern Mahratta Railway Company entered into by the Secretary of State for India on behalf of this Government, under which nineteen-twentieths of the net revenue on all the lines belong to the Durbar instead of three-fourths of the net revenue on the Mysore-Harihar and the whole of the net revenue on the other lines as in the former agreement. As a result of these and other minor variations, the revenue and receipts for 1908-09 stand, according to the revised estimate, at Rs. 222·46 lakhs instead of the budget figure Rs. 228·15 lakhs, *i.e.*, Rs. 5·69 lakhs less.

Economy necessitated by Scarcity.

14. The variations of the revised from the budget figures on the expenditure side are less marked than on the receipt side, but those variations are not a correct index of the disturbing effects of the scarcity on the budget programme of the year. As soon as it was apprehended that considerable expenditure might become necessary during the course of the year to cope with the distress, the extent of which could not be gauged with precision, energetic steps were taken in all directions for securing the strictest economy; and the result is that in spite of considerable additional expenditure under almost all major heads owing to the scarcity, *e.g.*, allowance to Government servants for extraordinary rise in prices of food grains, additional establishment, etc., the total expenditure for the year, according to the revised estimates is Rs. 2,12,94,000 against the budget figure of Rs. 2,13,89,000 *i. e.*, Rs. 95,000 less. A comparison of the budget and revised estimate figures under the several major heads will show that the credit for having secured economy is shared by almost all the Departments of the State, and it is the exercise of such economy coupled with the fortunate increase in receipts under some of the revenue heads, such as Excise and Railway, which accounts for the fact of the State having got over a difficult year with so little impression on its finances.

Utilization of Surplus.

15. From para 9 above it is seen that the difference between receipt and expenditure for the year 1908-09, taking all sources of income into account, was Rs. 9,52,000. In that paragraph it was also stated how that difference would have appeared in the accounts under the system hitherto in force. Certain changes in the form of accounts have, however, been sanctioned in connection with the reorganization of the Cauvery Power Scheme accounts as explained in para 25 below. It has also been decided that the full amount of Rs. 2,00,000 should be taken to the credit of the Famine Insurance Reserve without deducting therefrom the expenditure on account of scarcity during the year. With these changes the sum of Rs. 9,52,000 will appear in the account as shown below :—

	Rs.
Set aside for redemption of the 4 per cent loan of 20 lakhs ...	1,33,000
Famine Insurance Reserve	2,00,000
Credited to the Cauvery Power Scheme Depreciation Fund ...	6,19,000
	9,52,000

Expenditure on account of Scarcity.

16. Before closing this brief review of the revised estimates of 1908-09, it is perhaps desirable to bring together the total expenditure incurred during the year from the General Revenues on account of scarcity. The following statement gives

such information regarding amounts sanctioned and spent under the various heads:—

FINAL EXPENDITURE.

Head	Amount sanctioned during the year 1908-09	Expenditure during the year 1908-09 (Preliminary accounts)	Remarks
I. Direct.	Rs.	Rs.	
Establishment ...	*	2,899	* Sanctioned as required.
Drinking water wells ...	1,18,000	55,611	
Poor-houses and gratuitous relief ...	30,000	27,050	
Supply of fodder	41,000	8,453	
Relief to weavers, etc.	50,000†	36,181	† A portion of this expenditure will be recovered by the sale of cloth, etc.
Distribution of seed grains (gratuitous) ...	1,000	.....	
Relief works in charge of Civil Officers ...	7,000	2,688	
Total I ...	2,47,000	1,32,882	
II. Indirect.			
Grain compensation allowance ...	1,76,000	1,54,507	
Additions to existing establishment ...	8,000	7,739	
Stone works to Minor Tanks (P. W. D.) ...	1,00,000	48,623	
Other additional works (P. W. D.) ...	1,04,000		
Total II ...	3,88,000	2,10,869	
Total I & II	6,35,000	3,43,751	

LOANS AND ADVANCES.

Head	Amount sanctioned during the year 1908-09	Expenditure during the year 1908-09 (Preliminary accounts)	Remarks
	Rs.	Rs.	
Takavi advances and other loans ...	4,60,750	3,43,349	
Earth-work to Minor Tanks	1,20,000	34,789	
Opening grain depot	1,100	.....	
Purchase of seed grains for distribution to the raiyats in the affected tracts ...	10,000	2,307	
Total ...	5,91,850	3,80,445	

Budget Estimates for 1909-10.

17. For the year now current the total revenue is estimated at Rs. 2,32,93,000 and the total expenditure excluding liabilities to Reserve Funds, etc., at Rs. 2,20,42,000. The difference of Rs. 12,51,000 is intended for utilisation as follows:—

	Rs.
Sinking Fund Instalment on account of the 4 Per Cent Loan of 20 Lakhs	1,33,000
Famine Insurance Reserve	2,00,000
Contribution payable from the Cauvery Power Scheme Revenue of 1909-10 to the Depreciation Fund	3,09,000
Payment out of the net Cauvery Power Scheme Revenue of 1909-10 towards the arrears of the Depreciation Fund ...	5,54,000
Budget Surplus	55,000
	12,51,000

Revenue.

18. It is hoped that the seasonal and agricultural conditions of the year 1909-10 will be fair and the collection of the major portion of the suspended arrears of 1908-09 is anticipated. The estimate of Land Revenue is therefore placed at Rs. 1,03,39,000. The revenue from Excise during 1908-09 is somewhat high, according to the Revised Estimate, but for purposes of the Budget for 1909-10 it has not been considered safe to place the estimate higher than at Rs. 40,50,000. The estimates under the other heads are normal and do not call for any remarks.

Expenditure.

19. On the expenditure side the noticeable increases as compared with the revised estimate for 1908-09 appear under Education, Medical and Miscellaneous. The expenditure on Education is naturally an expanding item and the allotments made for additional grants to Aided Schools, increased staff provided for Government Schools and the arrangements necessary for adapting the two Colleges to the New University Regulations account for the increase of about a lakh over the revised estimate for 1908-09. The increase in the Medical budget is chiefly under "Sanitation and Vaccination" and is due to the additional expenditure entailed by the Scheme sanctioned for the organization of a Public Health Department. The estimate under "Miscellaneous" includes provision for some special charges to be incurred during 1909-10.

20. The estimates under the heads, 28. Famine Relief, 29. Reduction or Avoidance of debt, 30. State Railways—Revenue Account, 34. Construction of Railways, 35. Cauvery Power Scheme Revenue Account, and 36. Cauvery Power Scheme Capital Outlay, require some explanation.

The Famine Reserve.

21. In February 1907 the Government resolved to set aside annually a sum of at least two lakhs with a view to form a reserve to be drawn upon in the event of a famine and the resolution has been given effect to from the year 1906-07. On the 30th June 1909 the amount to the credit of the Famine Reserve was six lakhs and in the budget for 1909-10 provision has been made for adding to the said reserve another sum of two lakhs. There was some special expenditure in connection with the distress last year, but as it was not for meeting a severe and widespread famine but only for affording relief in a period of drought, and as it was also found possible to meet such expenditure by effecting savings on other grants, it was not considered advisable to utilize any portion of the Famine Reserve, and accordingly the whole of the Famine Reserve allotment of two lakhs for 1908-09 was added to the Reserve. Following the policy of securing an annual accretion to the Famine Fund, a sum of two lakhs has been budgetted for in the estimates for 1909-10 and entered under "28. Famine Relief." In the event of there being any need for incurring expenditure on measures of famine relief such portion of this provision and of the accumulated reserve as may be required will be drawn upon; otherwise the saving will be carried to the credit of the Famine Reserve.

The Four Per Cent Loan Sinking Fund.

22. In 1906-07 a loan of 20 lakhs was raised mainly with a view to finance the third installation of the Cauvery Power Scheme. This loan carries interest at 4 per cent and is due for discharge after the expiry of 15 years, *i.e.*, on the 1st October 1921. To provide for the redemption of this debt a Sinking Fund has been formed since the year of the loan by effecting a saving in the annual budgets of an amount equal to one-fifteenth part of the loan. On the 30th June 1909 there was to the credit of this Sinking Fund a sum of 4 lakhs. In the budget for 1909-10 provision has been made for payment into the said fund the fourth instalment of Rs. 1,33,000 which appears under "29. Reduction or Avoidance of Debt."

Railway Expenditure.

23. The estimate of Rs. 7,20,000 under "30. State Railways—Revenue Account" is the annual interest charge payable on the debt of £1,200,000 borrowed through the Secretary of State for constructing the railway line from Gubbi to Harihar. This debt is redeemable on the 1st March 1936 and a Sinking Fund was formed in 1899-1900 by investing a sum of Rs. 50,81,500 in the Government of India

Securities, which, accumulating at compound interest will be sufficient for discharging the loan when its payment falls due. In the meantime the annual interest on the loan has to be regularly provided for in our estimates.

24. The amount of 3 lakhs entered under "34. construction of Railways" represents the provision for capital expenditure to be incurred in 1909-10 on account of new engines, rolling stock, etc., required for working the open State Railways. As a matter of fact the capital expenditure on Railways during the year 1909-10 will be considerably over 4 lakhs; but as some amount is expected to be available out of deposits made with the Southern Mahratta Railway Company on account of stores in previous years, a sum of only 3 lakhs has been provided for in the budget. A large programme of capital works, including renewal of rails and improvements and additions to almost every kind of rolling stock is in hand and the outlay under this head for a few years to come is likely to be heavy.

Cauvery Power Scheme Accounts.

25. The question of placing the accounts of the Cauvery Power Scheme on a satisfactory footing was long under the consideration of Government, and it was settled in January last after taking the advice of Messrs. Lovelock and Lewis, Chartered Accountants, Calcutta, and of a committee of local officers representing the Electrical, Engineering and Account Departments, appointed for reporting on the matter. It has been decided that the accounts should be kept substantially on commercial lines and a Depreciation Fund account opened for arriving at the true measure of profit accruing to Government on the concern. Under this arrangement, the contribution to the Depreciation Fund should come from the annual revenue from the Cauvery Power Scheme, on which it is a legitimate charge. The extent of depreciation of the buildings, machinery, etc., from the date of completion of each part to the end of 1908-09 has been calculated and the amount comes to about Rs. 14,76,000. To make up this amount it is proposed to pay to the Depreciation Fund Account the entire surplus of 1908-09, *viz.*, Rs. 6,19,000 as also a sum of Rs. 5,54,000 out of the net revenue from the scheme for 1909-10. To bring the fund to the level at which it should stand only a sum of about 3 lakhs more is required and it will be paid out of the net revenue from the scheme for 1910-11. The contribution payable for 1909-10 is Rs. 3,09,000 and this will be met from the revenue for that year. The estimate of Rs. 12,86,000 entered under "35.—Cauvery Power Scheme Revenue Account," on the expenditure side consists of the following items:—

	Rs.
Working Expenses	4,23,000
Depreciation Fund—	
Contribution for 1909-10	3,09,000
Amount paid from the net revenue from the scheme for 1909-10 towards the arrears due to the fund up to the 30th June 1908..	5,54,000
Total ...	12,86,000

The first item mentioned above represents the establishment and other charges required for working the concern.

26. During 1909-10 an expenditure of Rs. 2,01,000 has been sanctioned for capital works, chiefly in connection with the lighting schemes of the Bangalore and Mysore cities and the estimate on this account appears under "36. Cauvery Power Scheme —Capital Outlay."

Public Works.

27. In January 1909, the Government after a very careful consideration of the financial capacity of the State fixed the normal grant for Public Works in the State at a little over 25 lakhs. As, however, two very large works, *viz.*, the Palace at Mysore and the Marikanave project, are still going on and as it is desirable to complete them as soon as practicable, it has been found impossible this year to restrict the Public Works Grant to the normal amount fixed by Government. The total grant for the year 1909-10 stands at Rs. 28,21,000, besides the grant of Rs. 2,72,758 to the Mysore City Improvement Trust, the work in connection with which is also chiefly of the nature of Public Works.

28. Among the more important original works for which allotments have been included in the estimates of the current year, are the following :—

Name of Work.	Allotment. Rs.
1. Marikanave Reservoir ...	1,53,000
2. Improving and extending the Hemagiri Channel ...	10,000
3. Improving and extending the Mandigere Channel ...	25,000
4. Restoring the slipped portions of the Ramasagara tank ...	20,000
5. Constructing a new tank at Sowlanga ...	18,000
6. Constructing a new Sandal Koti at Shimoga ...	15,000
7. Constructing new Taluk Cutcherries at Chitaldrug and Honnali ...	20,000
8. Additions to and alterations of the Bangalore Central College building ...	1,00,000
9. Constructing a new building for the Bangalore High School ...	20,000
10. Constructing the Chamarajendra Technical Institute at Mysore ...	50,000
11. Constructing a building for the Eye Infirmary at Bangalore ...	45,000
12. The New Palace at Mysore ...	2,39,000
13. Bangalore City Extension Works including Water-Supply ...	73,000
14. Bangalore City Drainage Works ...	43,000
15. Shimoga Extension and Water-Supply Projects ...	65,000
16. Mysore City Water Supply Works ...	20,000
17. Water-Supply to Mudgere ...	7,000
18. Reconstructing the old Silledar lines at Bangalore ...	20,000

It should be noted that the allotments represent the amount proposed to be spent on each work, during the year 1909-10 and gives no indication of the total expenditure on each.

29. For facility of reference a brief abstract of the Public Works budget is included (for the first time this year) in the Civil Budget Estimates. A detailed Budget Estimate of Revenue and Expenditure under Public Works in the Mysore State is, however, printed and published separately, which may be referred to for information on any point relating to the expenditure on any particular work or particular class of works.

Local Funds.

30. It may perhaps be useful to mention in connection with the budget estimates herewith published that they represent only that portion of the public revenue and expenditure which appertains to the General Revenues. The transactions of the various Local Funds, *e.g.*, the Local-Funds General, the District Funds, the Municipal Funds, the Irrigation Cess Fund and the Village School Fund, do not find a place here. When revenue derived from special sources is devoted to special objects and not to the general purposes of the administration, the revenue so devoted forms a Local Fund. And though in some cases there is difference in matters of administration and control between transactions affecting the General Revenues and those affecting the Local Funds, the transactions included in the latter are nevertheless an integral part of the financial operations of the State. Thus in addition to the 28·21 lakhs which represents the grant for Public Works from the General Revenues and 2·72 lakhs which is the grant from the same source to the Mysore City Improvement Trust, considerable sums are spent on local public works from many of the Local Funds referred to above. Thus the Municipal Funds maintain and develop roads and other public works within municipalities; the Irrigation Cess Fund is concerned with keeping some of the tanks and channels in repair; the District Funds look after the minor roads and other public works of local utility within the district; and the Village School Fund maintains, constructs and improves village school buildings. Similarly many of these funds materially supplement the expenditure from the General Revenues for education, sanitation, medical relief, etc. Detailed estimates of each of these

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Local Funds are separately printed; but to give a general idea of the transactions of each Local Fund or class of Local Funds an abstract showing their estimated transactions during the year 1909-10 is given below :—

Name of Fund.	Balance on 1st July 1909	Estimated receipts 1909-10	Total	Estimated expenditure 1909-10	Estimated balance on 1st July 1910
	Rs.	Rs.	Rs.	Rs.	Rs.
Local Funds General ...	69,550	1,99,440	2,68,990	1,90,745	78,245
District Funds ...	1,61,866	7,99,598	9,61,464	8,66,101	95,363
Municipal Funds ...	4,16,983	8,28,405	12,45,388	9,42,486	3,02,902
Village School Fund ...	78,123	3,17,222	3,95,345	3,57,102	38,243
Irrigation Cess Fund ...	67,000	2,23,000	2,90,000	2,00,000	90,000

Conclusion.

31. From para 17 above it will appear that according to the budget estimates of the year 1909-10 our receipts from all sources will be Rs. 12,51,000 in excess of the amount required for immediate expenditure during the year. At first sight the position might seem to be one of excessive surplus and the charge might be laid against the Government that they are taking more from the people than what is really required for the work of administration. But a little consideration will show that the situation is not exactly one of large surplus; for it is not sufficient to take only the immediate current expenditure of the State into account. The reserve funds and other liabilities have also to be considered. We owe a debt of 20 lakhs repayable in 1921 and we must make provision for its repayment; we must lay by something to combat a famine when it comes upon the State; we must build up a depreciation fund for the Cauvery power plant so as to be sure that we are not using up the capital invested in it. And when provision even on a modest scale is made for these requirements, the surplus sinks to a much lower figure. Again, if it is remembered that there are other reserves which it is certainly desirable to build up, *e.g.*, the reserve for large items of non-recurring expenditure, the reserve for railway extensions, etc., but towards which no grants can be assigned under existing financial conditions, the situation would appear to be far from one of an unnecessarily large surplus. On the other hand, as the whole of the mining revenue and a considerable part of the Cauvery power revenue have to be utilized for providing for the modest and indispensable reserves, the situation, if we look sufficiently long ahead, is one which requires careful attention and exercise of the strictest economy. We cannot afford to ignore the fact that a considerable part of the revenue from the Mines and the Cauvery scheme is, to some extent, uncertain or unreliable; and when along with that fact we see that without those sources of revenue our budget, even with all purely optional items of expenditure eliminated, would show a heavy balance on the wrong side, we cannot too strongly emphasise the fact that in our present financial condition there is necessity for the greatest restraint as regards increasing the permanent recurring expenditure of the State and incurring expenditure upon matters which bring no palpable benefit to the people.

J. S. CHAKRAVARTI,
Financial Secretary to Government.